THE SCHMIDT FAMILY FOUNDATION AND SUBSIDIARIES

DECEMBER 31, 2017 AND 2016

INDEPENDENT AUDITORS' REPORT

AND

CONSOLIDATED FINANCIAL STATEMENTS

The Schmidt Family Foundation and Subsidiaries

Independent Auditors' Report and
Consolidated Financial Statements

HOOD & STRONG LLP
CERTIFIED PUBLIC ACCOUNTANTS
A Century Strong

Independent Auditors' Report

TO THE BOARD OF DIRECTORS OF
THE SCHMIDT FAMILY FOUNDATION AND SUBSIDIARIES
Palo Alto, California

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of **THE SCHMIDT FAMILY FOUNDATION AND ITS SUBSIDIARIES (collectively referred to as the "Foundation")**, which comprise the consolidated statement of financial position as of December 31, 2017 and 2016, and the related consolidated statements of activity and changes in net assets and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Foundation's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of The Schmidt Family Foundation and its subsidiaries as of December 31, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Hood & Strong LLP

San Francisco, California
June 28, 2018

The Schmidt Family Foundation and Subsidiaries

Consolidated Statement of Financial Position

December 31,	2017	2016
Assets		
Cash and cash equivalents	$ 8,910,508	$ 21,210,064
Investment related receivables	198,311	192,636
Advanced contributions to investment funds	502,043	5,153,100
Portfolio investments	470,560,342	407,523,906
Program and mission related investments, net	48,056,052	33,243,051
Prepaid excise tax, expenses and deposits	1,232,326	990,861
Property and equipment, net	582,197	462,425
Total assets	$ 530,041,779	$ 468,776,043
Liabilities and Net Assets		
Liabilities:		
Accounts payable and other liabilities	$ 6,695,727	$ 4,136,134
Grants payable, net of discounts	13,234,822	14,275,508
Total liabilities	19,930,549	18,411,642
Unrestricted Net Assets	510,111,230	450,364,401
Total liabilities and net assets	$ 530,041,779	$ 468,776,043

See accompanying notes to the consolidated financial statements.

The Schmidt Family Foundation and Subsidiaries

Consolidated Statement of Activity and Changes in Net Assets

Years Ended December 31,	2017	2016
Revenue and Support:		
Contributions	$ 1,256,818	$ 124,327,498
Net realized and unrealized gains on investments	100,784,996	11,057,482
Dividend and interest income	4,218,516	5,452,370
Rental and other income	981,715	132,055
Investment related expenses	(1,766,324)	(1,728,755)
Federal excise and income taxes	(2,495,230)	(2,400,676)
Total revenue and other support	102,980,491	136,839,974
Expenses:		
Program services - grants awarded	27,065,772	30,357,672
Program services - direct charitable	15,327,470	10,919,504
Management and general	840,420	1,068,671
Total expenses	43,233,662	42,345,847
Change in Net Assets	59,746,829	94,494,127
Net Assets, Unrestricted, Beginning of year	450,364,401	355,870,274
Net Assets, Unrestricted, End of year	$ 510,111,230	$ 450,364,401

See accompanying notes to the consolidated financial statements.

The Schmidt Family Foundation and Subsidiaries

Consolidated Statement of Cash Flows

Years Ended December 31,	2017	2016
Cash Flows from Operating Activities		
Change in net assets	$ 59,746,829	$ 94,494,127
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Net realized and unrealized gains on investments	(100,784,996)	(11,057,482)
Contributed property and investments		(124,290,250)
Impairment of program related investment loan receivable	1,023,945	
Conversion of loan receivable to grant	10,002	319,255
Convertible loan interest accrued	(118,267)	(263,902)
Program related investment loan discount	102,485	(19,024)
Depreciation and amortization	334,322	374,467
Grants payable discount	23,642	18,551
Loss on disposal of property and equipment	(3)	38,054
Changes in operating assets and liabilities:		
Prepaid excise tax, expenses and deposits	(241,465)	(225,304)
Accounts payable and other liabilities	2,559,593	2,091,958
Grants payable	(1,064,328)	3,581,949
Net cash used by operating activities	(38,408,241)	(34,937,601)
Cash Flows from Investing Activities		
Advanced contributions to investment funds	4,651,057	(5,153,100)
Acquisition, sales and transfers of property and equipment	(454,097)	(26,035)
Investments through notes receivable - program and mission related investments	(331,000)	(2,975,000)
Collection on notes receivable - program and mission related investments	600,000	273,208
Purchases of program and mission related investments	(2,030,278)	(2,153,014)
Sales and/or distributions from program and mission related investments	-	606,977
Purchases of portfolio investments	(39,105,483)	(4,203,223)
Proceeds from sales and distributions from portfolio investments	62,778,486	67,500,769
Net cash provided by investing activities	26,108,685	53,870,582
(Decrease) Increase in Cash and Cash Equivalents	(12,299,556)	18,932,981
Cash and Cash Equivalents, Beginning of year	21,210,064	2,277,083
Cash and Cash Equivalents, End of year	$ 8,910,508	$ 21,210,064

Supplemental Disclosure:		
Federal excise and income taxes paid	$ -	$ 200,000
Purchase of program related investment included in accounts payable and other liabilities	$ -	$ 550,000

See accompanying notes to the consolidated financial statements.

Note 1 - Organization and Operations:

The Schmidt Family Foundation (the "Foundation"), established in 2006 by Wendy and Eric Schmidt, is a California non-profit public benefit corporation that supports activities for charitable, scientific, literary, and educational purposes. The Foundation's mission is to advance the creation of an increasingly intelligent relationship between human activity and the use of the world's natural resources. The Foundation's support and revenue comes primarily through contributions from its Founders and investment returns.

Note 2 - Summary of Significant Accounting Policies:

a. Principles of Consolidation

The accompanying consolidated financial statements include the accounts of the Foundation and its wholly owned subsidiaries, Greenhound, LLC, ReMain Nantucket, LLC, ReMain 54, LLC, Middle C, LLC, and GAXL (SFF), Ltd. (collectively, "the Foundation") after elimination of intercompany accounts and transactions.

b. Basis of Accounting

The consolidated financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America which recognizes revenue and support when earned and expenses when incurred and, accordingly, reflect all significant receivables, payables, and other liabilities.

c. Basis of Presentation

Consolidated financial statement presentation is on an accrued basis and follows the recommendations of the Financial Accounting Standards Board ("FASB") for non-profit entities. The Foundation is required to report information regarding its consolidated financial position and activities according to three classes of net assets: permanently restricted, temporarily restricted, and unrestricted net assets. Unrestricted net assets have no donor-imposed restrictions and include those revenues and expenses associated with program and supporting services. As of December 31, 2017 and 2016, all of the Foundation's net assets were classified as unrestricted net assets.

d. Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America ("GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates. Significant estimates include excise tax and other accruals and the valuation of investments.

e. Cash and Cash Equivalents

Cash and cash equivalents consist of cash and money market funds. The Foundation considers all highly liquid investments with maturity of three months or less at the date of purchase to be cash equivalents.

Cash and cash equivalents are maintained at financial institutions, and at December 31, 2017 and 2016, are insured under a federal program to the extent of $250,000 per depositor at each financial institution. Interest bearing accounts at December 31, 2017 and 2016 approximated $8,910,500 and $21,210,000, respectively, of which the majority is invested in money market funds held with a reputable investment company. The Foundation has not experienced any losses related to these balances.

f. Investment Related Receivables

Receivables include proceeds receivable from investment redemption, interest receivable from program related investment loans and other investment income receivables at year-end.

g. Advanced Contributions to Investment Funds

Advanced contributions to investment funds include funding paid in advance of entry into investment funds at year end.

h. Investments

All investments, including program and mission related investments, are recorded at fair value. Fair value is defined as the price that one would receive by selling an asset or pay to transfer a liability in an orderly transaction among market participants at the measurement date. Investments are classified as program or mission related investments when they have been specifically selected due to their direct link to the Foundation's charitable purpose.

Equity Securities

Equity securities held are valued at the daily closing price as reported by the custodian. A separately managed portfolio is managed to imitate the iShares MSCI ACWI Index Fund holdings less securities the Foundation deems to be contrary to the Foundation's mission. These equity securities held include U.S. domestic and international equities.

Mutual Funds and Exchange-Traded Funds

Mutual funds and exchange-traded funds are valued at the daily closing price as reported by the fund. Mutual funds held by the Foundation are open-end mutual funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily net asset value (NAV) and to transact at that price. The mutual funds and exchange-traded funds held by the Foundation are deemed to be actively traded.

Alternative Investments

The Foundation invests in alternative investments, including investments in limited partnerships and investment funds. The investment partnerships and funds are valued based on the NAV, as reported by the partnership or fund. The NAV of each partnership or fund is based on the value of the underlying assets owned by the fund minus its liabilities. The NAV is used as a practical expedient to estimate fair value, and is not used when it is determined to be probable that the Foundation will sell the investment for an amount different than the reported NAV. Due to the inherent uncertainty of valuations, however, these estimated fair values may differ from the values that would have been used had a ready market for the securities existed, and the differences could be material.

Program and Mission Related Investments

The Foundation makes loans and investments to advance its charitable purpose. Program related investments consist of equity positions, real estate property used for charitable purposes and loans outstanding that bear a below-market interest rate in either a senior or subordinated position. The loans are measured at fair value at inception to determine if a contribution element exists, and are recorded on a net basis to reflect a discount on loans receivable (if a contribution element exists) or a reasonable loss reserve. Loans are not collateralized.

The loss reserve estimate is reviewed on an annual basis and adjusted if collectability risk has significantly changed based on the Foundation's understanding of the borrower's financial health and/or payment history. Program-related investment impairments, if any, are recorded in program services – grants awarded expense in the accompanying Consolidated Statement of Activity and Changes in Net Assets. Program-related investment write-offs, loan conversions to grants, or impairments recorded in 2017 and 2016 were $1,033,947 and $319,255, respectively.

Mission related investments can include loans made at market interest rates, private equity investments, and venture capital and private equity funds. Mission related investments are made with the objective of achieving a social impact with market returns.

i. Property and Equipment, Net

Purchased property and equipment are stated at cost. Acquisitions of property and equipment in excess of $1,000 are capitalized. Significant donated property and equipment are recorded at fair value at the date of receipt. If donors stipulate how long or for what purpose the assets must be used, the contributions would be recorded as restricted support. In the absence of such stipulations, contributions of property and equipment are recorded as unrestricted support.

Depreciation and amortization is computed on a straight-line basis over the estimated useful lives of the particular assets generally as follows: furniture and equipment 3 to 15 years, and leasehold improvements over the lesser of the assets' estimated useful lives or the term of the applicable lease. Expenditures for maintenance and repairs that do not improve or extend the lives of the respective assets are expensed as incurred. The carrying value of all long-lived assets is evaluated periodically to determine if an adjustment to the useful life or to the undepreciated balance is warranted.

j. Long Lived Assets

The Foundation reviews long lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of any assets may not be recoverable.

k. Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities include the Foundation's trade accounts payable, other liabilities incurred in the normal course of operations including payroll related liabilities, current and deferred taxes payable, and professional service fees due to a related party of the Foundation.

l. Grants

Grant expenditures are made in accordance with the Foundation's mission and are recognized in the period the grant is approved and the recipient is notified, provided the grant is not subject to significant future conditions. Conditional grants are recognized as grant expense and as a grant payable in the period in which the grantee meets the terms of the conditions. Grants payable that are expected to be paid in future years are recorded at the present value of expected future payments.

m. Contributions and Revenue Recognition

Contributions are recognized as revenue at their fair value in the period the contribution is received, and to date have consisted primarily of public stock, facilities, services, and property and equipment. Contributions of public stock are recorded at quoted market prices at the date of donation. In-kind contributions of donated facilities, services, property and equipment are recorded at estimated fair value at the date of donation based on market appraisals, invoices and other information provided by the donors. The Foundation has been funded primarily through contributions received from the Founders. To date, such contributions have been unrestricted.

n. Functional Expense Allocations

The Foundation's operating costs have been summarized on a functional basis as grants awarded, direct charitable, and management and general expenses on the Consolidated Statement of Activity and Changes in Net Assets.

o. Concentration of Credit Risk

Financial instruments that potentially subject the Foundation to credit risk consist primarily of cash and cash equivalents, investments, investment related receivables, portfolio investments in transit, and program and mission related investments. The Foundation maintains cash and cash equivalents with commercial banks and other major financial institutions. Cash equivalents include overnight investments and money market funds. The Foundation's investments, portfolio investments in transit, and investment related receivables have been placed with established financial institutions. The Foundation monitors these investments and has not experienced any credit losses.

The credit risk associated with the program and mission related investment loans receivable is monitored closely through review of financial reports received periodically during the year.

p. Accounting for Income Taxes

The Foundation is a qualified organization exempt from federal and state tax under the provisions of Section 501(c)(3) of the Internal Revenue Code and applicable state codes. Therefore, no provision for federal or state income tax is reflected in the consolidated financial statements. However, to the extent the Foundation carries out investment activities that are subject to the unrelated business income tax, it is subject to income taxation at ordinary corporate rates.

The Foundation follows the guidance of the FASB Accounting Standards Codification (ASC) Topic 740 for accounting for uncertainty in income taxes. As of December 31, 2017 and 2016, management evaluated the Foundation's tax positions and concluded that the Foundation had maintained its tax-exempt status and had taken no uncertain tax positions that require adjustment to the financial statements.

q. Reclassifications

Certain reclassifications have been made to the prior year financial statements in conformity to the current year presentation. There was no effect on net assets as a result of the reclassifications.

r. Recent Accounting Pronouncements

Pronouncements effective in the future

In February 2016, the FASB issued authoritative guidance regarding leases. The new standard will supersede much of the existing authoritative literature for leases. This guidance requires lessees, among other things, to recognize right-of-use assets and liabilities on their balance sheet for all leases with lease terms longer than twelve months. The standard will be effective for the Foundation, since it is not deemed a public business entity, for its fiscal year beginning after December 15, 2019, and for interim periods beginning after December 15, 2020, with early application permitted. Entities are required to use modified retrospective application for leases that exist or are entered into after the beginning of the earliest comparative period in the financial statements with the option to elect certain transition reliefs. The Foundation is in the process of evaluating the impact of this new guidance.

In August 2016, the FASB issued authoritative guidance regarding presentation of financial statements of non-profit entities. The amendments change presentation and disclosure requirements for non-profit entities to provide more relevant information about their resources, and the changes in those resources, to the users of the financial statements. The standard is effective for fiscal years beginning after December 15, 2017 and early adoption is permitted. The Foundation is currently evaluating the impact the new standard will have on its consolidated financial statements.

Note 3 - Portfolio Investments:

At December 31, 2017 and 2016, portfolio investments are recorded at fair value. The estimated fair values of the Foundation's portfolio investments are as follows:

	2017	2016
Equity securities	$ 246,168,807	$ 217,599,597
Exchange-traded funds / Mutual funds	59,353,429	59,050,470
Real estate property	3,800,000	3,800,000
Alternative investments	161,238,106	127,073,839
Total	$ 470,560,342	$ 407,523,906

Note 4 - Program and Mission Related Investments, Net:

The Foundation's program and mission related investments further the charitable mission of the Foundation by providing funding, through loans and equity investments, for innovative solutions focusing on problems in the field of climate change mitigation, renewable energy, sustainable agriculture, and marine technology. At December 31, 2017 and 2016, program and mission related investments are comprised of the following:

	2017			2016		
	#		Valuation	#		Valuation
Mission Related:						
Private equity direct investments	10	$	7,572,246	8	$	5,602,318
Venture capital and private equity funds	4		2,711,610	4		1,418,032
Mission related loans	4		994,985	5		1,848,655
Program Related:						
Program related loans, net of discount	14		5,098,310	14		6,450,897
Private equity direct investments	5		17,603,901	5		3,848,149
Real estate property	2		14,075,000	2		14,075,000
Total	39	$	48,056,052	38	$	33,243,051

Interest is calculated on the outstanding loan amounts at an annual interest rate ranging from 0.25% - 10.00% in 2017 and 2016. Interest may be due quarterly, annually or due at maturity with the principal. The loans are discounted at rates valid for the year the note was made. For the years ended December 31, 2017 and 2016, a present value discount of $102,485 and $19,024, respectively, was recorded in program services - direct charitable expense in the Consolidated Statement of Activity and Changes in Net Assets.

Loans are uncollateralized and are expected to be repaid between 2018 and 2023. Certain loans contain equity conversion features. At December 31, 2017, a loan commitment of $100,000 remained uncalled and outstanding. There were no loan commitments outstanding as of December 31, 2016.

At December 31, 2017, included in program related investments is a loan receivable to a non-profit organization, where one of the Foundation's board members is a board member; at December 31, 2016, there were two such loans outstanding. The loans receivable were $1,385,120 and $1,395,122, at December 31, 2017 and 2016, respectively. Subsequent to year end, $1,000,000 of the outstanding loan receivable at December 31, 2017 was converted to a grant.

The Foundation has agreed to formally forgive, and convert to grants, the principal of the two related party loans, one current and one previously recorded as impaired, in the form of conditional matching grants as the related entities raise funds. As of December 31, 2017 and 2016, approximately $234,700 and $1,173,600, respectively, has been forgiven and converted to grants under these agreements. The related party loan that was previously impaired was fully forgiven during 2017.

The Foundation, as part of its program-related investment program, can provide loan guarantees through conditional grants. There were no loan guarantees through conditional grants at December 31, 2017 and 2016.

Management reviewed the collectability of the program-related investments, including related party loans, and recognized an impairment on three program related investment loans for the year ended December 31, 2017 as a result of the investee filing for Chapter 7 bankruptcy subsequent to year end. The impairment amount of $1,023,945, which includes principal and accrued interest, was recorded in program services—grants awarded in the Consolidated Statement of Activities and Changes in Net Assets. There was no impairment required to be recorded as of December 31, 2016.

Note 5 - Investment Returns

Following is a reconciliation of net investment return as distributed between portfolio investments and program and mission related investments.

December 31, 2017	Portfolio Investments	Program and Mission Related Investments	Total
Net realized gains	$ 6,700,620		$ 6,700,620
Net unrealized gains	79,982,820	$ 14,101,556	94,084,376
Net realized and unrealized gains	86,683,440	14,101,556	100,784,996
Dividend income	3,925,467		3,925,467
Interest income	13,087	279,962	293,049
Rental and other income	55,958	925,757	981,715
Total	90,677,952	15,307,275	105,985,227
Less: investment related expenses	(1,526,492)	(239,832)	(1,766,324)
Less: program related investment loan impairments		(1,023,945)	(1,023,945)
Less: conversion of loans included in program services – grants awarded		(10,002)	(10,002)
Less: program related investment loans – imputed grants expense		(189,239)	(189,239)
Total	(1,526,492)	(1,463,018)	(2,989,510)
Net investment returns	$ 89,151,460	$ 13,844,257	$ 102,995,717

December 31, 2016	Portfolio Investments	Program and Mission Related Investments	Total
Net realized gains (losses)	$ 3,519,760	$ (65,048)	$ 3,454,712
Net unrealized gains	6,309,056	1,293,714	7,602,770
Net realized and unrealized gains	9,828,816	1,228,666	11,057,482
Dividend income	5,154,624		5,154,624
Interest income	271,308	26,438	297,746
Rental and other income	132,055		132,055
Total	15,386,803	1,255,104	16,641,907
Less: investment related expenses	(1,563,141)	(165,614)	(1,728,755)
Less: program related investment loan impairments		(34,375)	(34,375)
Less: conversion of loans included in program services - grants awarded		(284,880)	(284,880)
Less: program related investment loans – imputed grants expense		(7,414)	(7,414)
Total	(1,563,141)	(492,283)	(2,055,424)
Net investment returns	$ 13,823,662	$ 762,821	$ 14,586,483

Note 6 - Fair Value Measurements:

The accounting standard over fair value measurements established a framework for measuring fair value, and expands disclosures about fair value measurements. The standard prioritizes, within the measurement of fair value, the use of market-based information over entity specific information and establishes a three-level hierarchy for fair value measurements based on the nature of inputs used in the valuation of an asset or liability as of the measurement date.

The three-level hierarchy for fair value measurements is defined as follows: Level 1 inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets; Level 2 inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets, and inputs that are observable for the asset or liability other than quoted prices, either directly or indirectly, including inputs in markets that are not considered to be active; and Level 3 inputs to the valuation methodology are unobservable and significant to the fair value measurement. The inputs into the determination of fair value require significant management judgment.

An investment's categorization within the valuation hierarchy is based upon the lowest level input that is significant to the fair value measurement.

The table below presents assets at December 31, 2017 measured at fair value on a recurring basis:

	Level 1	Level 3	(a) NAV	Total
Portfolio investments:				
Equity securities:				
U.S. Domestic equity:				
Technology	$ 149,261,396			$ 149,261,396
Information Technology	14,543,158			14,543,158
Financials	9,929,564			9,929,564
Health Care	8,010,650			8,010,650
Consumer Discretionary	7,524,135			7,524,135
Industrials	5,750,575			5,750,575
Consumer Staples	4,547,070			4,547,070
Other	5,684,336			5,684,336
International equity:				
Japan	8,374,698			8,374,698
Great Britain	6,032,741			6,032,741
Other	26,510,484			26,510,484
Exchange-traded funds /Mutual funds:				
Intermediate-term bond funds	44,010,155			44,010,155
Inflation protected bond funds	3,431,048			3,431,048
Real estate	11,912,226			11,912,226
Real estate property		$ 3,800,000		3,800,000
Alternative investments:				
Hedge funds			$ 72,749,145	72,749,145
Venture capital and private equity funds			34,461,745	34,461,745
Real estate funds			10,851,550	10,851,550
Fund of funds – private equity			16,187,819	16,187,819
Fund of funds – hedge fund			26,987,847	26,987,847
Total Portfolio Investments	305,522,236	3,800,000	161,238,106	470,560,342
Program and mission related investments:				
Private equity direct investments		25,176,147		25,176,147
Venture capital and private equity funds			2,711,610	2,711,610
Program and mission related loans		6,093,295		6,093,295
Real estate property		14,075,000		14,075,000
Total Program and Mission Related Investments		45,344,442	2,711,610	48,056,052
Total	$ 305,522,236	$ 49,144,442	$ 163,949,716	$ 518,616,394

The table below presents assets at December 31, 2016 measured at fair value on a recurring basis:

	Level 1	Level 3	(a) NAV	Total
Portfolio investments:				
Equity securities:				
U.S. Domestic equity:				
Technology	$ 110,551,805			$ 110,551,805
Information Technology	12,010,888			12,010,888
Financials	9,012,873			9,012,873
Health Care	8,668,936			8,668,936
Consumer Discretionary	8,114,135			8,114,135
Industrials	6,268,256			6,268,256
Consumer Staples	6,169,154			6,169,154
Other	6,075,386			6,075,386
International equity:				
Japan	9,094,206			9,094,206
Great Britain	5,997,649			5,997,649
Other	35,636,310			35,636,310
Exchange-traded funds /Mutual funds:				
Intermediate-term bond funds	43,498,923			43,498,923
Inflation protected bond funds	3,398,831			3,398,831
Real estate	12,152,715			12,152,715
Real estate property		$ 3,800,000		3,800,000
Alternative investments:				
Hedge funds			$ 59,291,676	59,291,676
Venture capital and private equity funds			15,414,489	15,414,489
Real estate funds			12,354,446	12,354,446
Fund of funds – private equity			16,594,985	16,594,985
Fund of funds – hedge fund			23,418,243	23,418,243
Total Portfolio Investments	276,650,067	3,800,000	127,073,839	407,523,906
Program and mission related investments:				
Private equity direct investments		9,450,467		9,450,467
Venture capital and private equity funds			1,418,032	1,418,032
Program and mission related loans		8,299,552		8,299,552
Real estate property		14,075,000		14,075,000
Total Program and Mission Related Investments		31,825,019	1,418,032	33,243,051
Total	$ 276,650,067	$ 35,625,019	$ 128,491,871	$ 440,776,957

(a) In accordance with FASB ASC Subtopic 820-10, certain investments that are measured at fair value using the net asset value per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the Consolidated Statement of Financial Position.

The following tables present the Foundation's activity for assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the years ended December 31, 2017 and 2016:

December 31, 2017	Real Estate Property	Mission Related Loans	Program and Private Equity Investments	Total
Beginning balance	$ 17,875,000	$ 8,299,552	$ 9,450,467	$ 35,625,019
Purchases of investments			781,558	781,558
Purchases of investments through note receivables		331,000		331,000
Collection on note receivables		(600,000)		(600,000)
Conversion of investment loans to equity		(919,092)	919,092	
Interest receivable		118,267		118,267
Conversion and impairment of program related loans		(1,033,947)		(1,033,947)
Program related investment loan discount		(102,485)		(102,485)
Unrealized gains			14,025,030	14,025,030
Ending balance	$ 17,875,000	$ 6,093,295	$ 25,176,147	$ 49,144,442

December 31, 2016	Real Estate Property	Mission Related Loans	Program and Private Equity Investments	Total
Beginning balance	$ 6,500,000	$ 8,271,932	$ 3,774,368	$ 18,546,300
Contributions received	11,375,000			11,375,000
Purchases of investments			1,831,734	1,831,734
Purchases of investments through note receivables		2,975,000		2,975,000
Collection on note receivables		(273,208)		(273,208)
Conversion of investment loans to equity		(2,522,110)	2,605,855	83,745
Interest receivable		148,169	31,988	180,157
Conversion and impairment of program related loans		(319,255)		(319,255)
Program related investment loan discount		19,024		19,024
Unrealized gains			1,206,522	1,206,522
Ending balance	$ 17,875,000	$ 8,299,552	$ 9,450,467	$ 35,625,019

Net Asset Value (NAV) Per Share

The Foundation's alternative investments consist of funds for which fair value is not readily determinable and whose fair value is estimated using the net asset value per share or its equivalent.

The following table sets forth a summary of the Foundation's investments by major category reported at NAV as of December 31, 2017 and 2016:

	2017 Fair Value	2016 Fair Value	Unfunded Commitments	Redemption Frequency (if currently eligible)	Redemption Notice Period
Alternative Investments:					
Hedge funds (a)	$ 72,749,145	$ 59,291,676		Quarterly – Annually	30-90 days
Venture capital and private equity funds (b):					
Partially redeemable	17,704,527		$ 5,650,000	Monthly – Annually	60-90 days
Non Redeemable	16,757,218	15,414,489	9,993,589	None	N/A
Real estate funds (c)	10,851,550	12,354,446	239,244	None	N/A
Fund of funds – private equity (d)	16,187,819	16,594,985	3,300,000	None	N/A
Fund of funds – hedge fund (e)	26,987,847	23,418,243		Quarterly – Annually	45 days to 1 yr
Program and Mission Related Investments:					
Venture capital and private equity funds (f)	2,711,610	1,418,032	2,512,426	None	N/A
Total	$ 163,949,716	$ 128,491,871	$ 21,695,259		

(a) This category contains eight (8) and seven (7) investments in funds that hold long and short positions in global public and private equity securities, debt securities, derivatives, and other assets as of December 31, 2017 and 2016, respectively.

(b) This category includes ten (10) and eight (8) private equity funds that focus on global venture capital and private equity investments, including distressed credit and real estate, as of December 31, 2017 and 2016, respectively. As of December 31, 2017, one investment fund of approximately $10.3 million that is partially redeemable is in a 36 month lockup period. After the lockup period, this investment can be redeemed 20% monthly with 60 days notice. The estimated term for the nonredeemable investments is 7 to 17 years.

(c) This category contains five (5) investments in funds that hold real estate, real estate-related and natural resources investments and loan participation agreements, as of December 31, 2017 and 2016. As of December 31, 2017 and 2016, 100% and 78%, respectively, of the values of the investments in this category have estimated terms of 6 to 9 years. The remaining investments in this category have no set term as of December 31, 2016.

(d) This category contains two (2) investments in funds that hold a combination of global direct and fund investments in both traditional and alternative assets. The estimated term for these investments is 10 to 12 years.

(e) This category contains two (2) investments in funds that invest in global venture capital and growth equity funds.

(f) This category contains four (4) mission related investments that focus on investments supporting climate change and human rights solutions. The estimated term for these investments is 10 to 12 years.

<u>Concentration of Investments</u>

As of December 31, 2017 and 2016, the Foundation's investments in the categories of U.S. Domestic equity–Technology and Intermediate-term bonds funds consisted of holdings in an individual company or fund.

Note 7 - Property and Equipment, Net:

Property and equipment at December 31, 2017 and 2016 consist of the following:

	2017	2016
Leasehold improvements	$ 1,068,976	$ 1,068,976
Computers, furniture and equipment	1,163,869	656,347
Total property and equipment	2,232,845	1,725,323
Less: accumulated depreciation	(1,650,648)	(1,262,898)
Property and equipment, net	$ 582,197	$ 462,425

Depreciation expense for the years ended December 31, 2017 and 2016 was $334,322 and $374,467, respectively.

Note 8 - Grants Payable:

Grants payable as of December 31, 2017 are expected to be paid as follows:

Less than one year	$ 13,046,870
One to five years	195,000
Less: discount to reflect grants payable at present value	(7,048)
Grants Payable, net	$ 13,234,822

At December 31, 2016, grants payable was $14,275,508, net of discounts of $30,690.

Note 9 - Federal Excise Taxes and Distribution Requirements:

Distribution Requirements

The Foundation is subject to distribution requirements of the Internal Revenue Code. Accordingly, it must distribute within one year after the end of each fiscal year 5% of the fair value of its investment assets, as defined. The investments includable for the 5% distribution requirement are based on average monthly balances and are exclusive of those investments deemed to be held for charitable activities such as program related investments. In determining qualifying distributions, grant payments are considered on a cash basis and certain expenses are considered as qualifying distributions. For the years ended December 31, 2017 and 2016, the Foundation has complied with the distribution requirements.

Federal Excise and Income Taxes

In accordance with the applicable provisions of the Internal Revenue Code, the Foundation is a private foundation and qualifies as a tax exempt organization. Private foundations are liable for an excise tax of 2% (1% if minimum payout requirements prescribed by the Internal Revenue Code are met) on net investment income, excluding unrealized gains, as defined.

Deferred taxes arise due to temporary differences between reported amounts of investments and their tax basis. Deferred taxes also arise from the difference between the cash basis used for tax purposes and the accrual basis used for financial statement purposes for investment activities. Deferred federal excise taxes on unrealized depreciation or appreciation is calculated using the 2% tax rate since the qualification for the 1% tax is not determinable until the year in which losses or gains are realized.

Deferred federal excise tax liability at December 31, 2017 and 2016 was $5,000,000 and $3,000,000, respectively, and is included in accounts payable and other liabilities in the accompanying Consolidated Statement of Financial Position. The majority of the 2017 and 2016 deferred tax provision is attributable to donations of appreciated stock. See Note 12.

In addition, income from certain investments is subject to unrelated business income tax. At December 31, 2017 and 2016, the expense provision for excise and income taxes consists of the following:

	2017	2016
Excise tax:		
Current expense	$ 373,300	$ 676
Deferred expense	2,000,000	2,250,000
Unrelated business income tax expense	121,930	150,000
Total excise and income taxes	$ 2,495,230	$ 2,400,676

Note 10 - Management and General Expenses:

At December 31, 2017 and 2016, management and general expenses consisted of the following:

	2017	2016
Payroll expenses	$ 286,470	$ 305,119
Professional fees	183,832	113,807
Office rent	70,236	185,756
Office and equipment depreciation	212,339	370,009
Other	87,543	93,980
Total management and general expenses	$ 840,420	$ 1,068,671

Note 11 - Commitments:

The Foundation has entered into operating lease agreements in California and Rhode Island to lease certain of its facilities. In 2016, the Foundation negotiated a direct lease from an existing sublease. The new lease is for five years and commenced July 2017. Rent expense for the Foundation under these agreements for the years ended December 31, 2017 and 2016 was approximately $832,000 and $852,700, respectively. Rent expense in 2016 is reflected net of related party sub-lease payments.

Future minimum annual lease payments required under these agreements are as follows:

Year ended December 31,	Amount
2018	$ 727,800
2019	653,900
2020	673,500
2021	693,700
2022	352,000
Total	$ 3,100,900

Note 12 - Related Party Transactions:

Donated services and facilities, for program purposes, valued at approximately $1,256,800 and $37,000, were received from the Founders and their related entities in 2017 and 2016, respectively. In 2016, the Founders through related entities also donated shares of Alphabet Inc. Class A and Class C stock, with an estimated value of $112,900,000, and a 100% interest in Middle C, LLC that holds real estate with an appraisal value of $11,375,000.

For the year ended December 31, 2016, the Foundation subleased private office spaces within their leased property to related for-profit entities. The month-to-month sublease rent paid directly to the Landlord approximated $26,500 per month. The sublease was terminated in August 2016. For the year ended December 31, 2016, rental income received from the for-profit entities was approximately $1,300.

In 2016, the Foundation entered into a resource sharing agreement with a related non-profit organization. For the years ended December 31, 2017 and 2016, the Foundation recorded rental income of $4,863 and $7,434, respectively for shared usage of an office space.

Certain officers of the Foundation are also officers and employees of an organization where two of the Foundation's directors have an ownership interest. The Foundation has an agreement for various professional services consisting of investment management, organizational accounting, administrative services and 401(k) plan management with this related party. This agreement provides that in accordance with IRC Section 4941(d) and Income Tax Regulation 53.4941(d)-3(c), the Foundation shall pay the organization only for personal services which are reasonable and necessary to carry out the Foundation's exempt purpose. This agreement also provides that no portion of any payments by the Foundation to the organization shall be for non-personal services or property. Under the agreement, the organization provides the Foundation executive, legal, tax, accounting, human resources, IT, and finance management services. For the years ended December 31, 2017 and 2016, the Foundation incurred expenses to this related organization of approximately $1,608,200 and $1,003,000, respectively, for investment and other professional services, of which $221,800 and $70,000 is included in accounts payable at December 31, 2017 and 2016, respectively.

For the years ended December 31, 2017 and 2016, the Foundation awarded grants totaling $1,075,000 and $1,600,000, respectively, to various non-profit organizations, where one of the Foundation's board members is a board member. At December 31, 2017 and 2016, there were $0 and $560,000, respectively, in grants payable to related party organizations.

The Foundation has program-related investment loans outstanding to two related party organizations, where one of the Foundation's board members is a board member of both organizations. As discussed in Note 2, based on financial condition and other economic factors, one of the loans was carried at a nominal value. For the years ended December 31, 2017 and 2016, the Foundation agreed to formally forgive the principal of the loans in the form of a conditional matching grants as the related entities raise funds. As of December 31, 2017 and 2016, approximately $234,683 and $1,173,600, respectively, has been forgiven and converted. See Note 4 for the status of the loans.

Note 13 - Retirement Plan:

The Foundation has a 401(k) Plan through participation in a related entity's Retirement Savings Plan, as discussed in, Note 12, to provide retirement benefits for its employees. The Foundation will match 100% of the employees' contribution up to 30% of eligible compensation not to exceed $12,500 per year per employee. The Foundation's contribution was approximately $206,000 and $234,000 for the years ended December 31, 2017 and 2016, respectively.

Note 14 - Subsequent Events:

The Foundation has evaluated subsequent events from December 31, 2017 through June 28, 2018, the date that the financial statements were available to be issued, and did not note any events that would require adjustment to or disclosure in these financial statements, except as disclosed in Note 4.